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Piracy, Kidnapping and P&I cover

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Piracy, Kidnapping and P&I Cover

- Piracy - what are the risks?
- Insurance regime
- What does P&I cover?
- How does P&I respond to piracy?
- What can the Club do for its Members?
- Summary
What are the risks?

• S. E. Asia

  – Historically most active area
  – Seizure of vessel
  – Vessel, crew and cargo held for ransom
  – Theft of oil cargoes and fuel oil
  – Theft of money, personal effects and supplies
• Somalia
  – Seizure of vessel
  – Vessel, crew and cargo held for ransom
  – Theft of money, personal effects and supplies
• West Africa

  – Originally focussed on theft of oil cargoes
  – Increased targeted threat of high value containerised cargoes
  – Crew taken and held for ransom
Insurance Regime

• H&M
  – Physical loss or damage to a vessel
  – General Average

• War Risks
  – War, civil war, revolution and rebellion
  – Capture, seizure, arrest, restraint, detention
  – Terrorism
  – NB: weapons of war
• Kidnap & Ransom
  – Ransom payment and loss in transit of ransom
  – Fees and expenses of security experts
• Loss of hire
  – Loss of earnings following a casualty
• P&I
First Things First

- FOCUS on the crew and vessel
- Inform all insurers but remember what is important:
  - Safety of CREW
  - VESSEL
  - CARGO
P&I support

• We will do everything we can to assist
  – Dedicate our time and recourses
  – mobilise our correspondents
  – Assemble experts
  – Work with you, other insurers and other stakeholders

WHATEVER IT TAKES!
P&I cover & piracy

• No *specific* cover for piracy incidents
• No specific *exclusion* for piracy incidents
• Overlap and mutual exclusions ...
War Risks

- Exclusion of P&I cover for *weapons of war*
  - Mines, torpedoes, bombs, rockets, shells and explosives and similar
  - *Not* guns

- War Risks
What does P&I cover?

- Third party liability cover
  - Crew illness & Injury
  - Cargo liabilities
  - Pollution
  - Wreck removal
  - Stowaways and life salvage
  - Fines
  - And more …
Scope of P&I Cover

• P&I will cover as set out in the RULES:
  • Pollution liabilities
  • Cargo claims
  • Crew injuries and loss of life

• Discretionary claims
  • Claims not expressly covered
  • Sue & Labour?
  • Omnibus?
• Covered risk:
  – Crew injury and death
    • Including psychological care
  – Repatriation
    • Replacement crew where necessary
• Covered risk:
  – Cargo claims
    • High value items in containers

• Theft of oil cargoes
• Covered risk:
  – Property on board
    • Damage to non-cargo items (not otherwise H&M)
    • Bunker theft
  – Personnel effects of crew
• Covered risk:
  – Pollution
  – Wreck removal
Discretionary Claims

• Ransom Payments
  – Not expressly excluded
  – Not expressly covered

• Ransom is not a risk which is expressly covered and one club has an express exclusion of liability for ransom payments. It is possible that ransom might be recoverable from clubs at the discretion of boards under sue and labour or omnibus provisions if it is not recoverable under any other insurance and cannot be recovered from other sources.
• Discretion under P&I?
  – Sue and Labour
    • Extraordinary costs and expenses … reasonably uncured … for the purpose of avoiding or minimising … any liability … insured by the Association.
    • Majority decision of the Board
    • Must relate to a covered risk
      – e.g. to prevent injury to crew?
Ransom Payments

• Discretion under P&I?
  – Omnibus

  • The Committee may determine that the Association shall pay a Member any amount, whether or not the full amount claimed, or shall insure such Member in respect of liabilities, costs or expenses incidental to the business of owning, operating or managing vessels ... which in the opinion of the Committee fall within the scope of the Association’s business.

  • Unanimous decision of the board
Recoverable elsewhere?

- Kidnap & Ransom insurance
  - Bespoke policies
  - Release of vessel and / or crew
- War Risks
- Property insurers
  - H&M
- Obligation to have such policies? Prudent assured?
What does Board consider?

• Is the risk *P&I* in nature?
• What steps did Members take in advance?
• Prudent Assured?
• Is it in the *mutual interests* of the whole Club?
Club Response & Practical Support

- Notwithstanding what is covered, the Club is here to assist.
  - Provide practical support
  - Assemble a team to respond to different aspects
Owners

Brokers
- H&M
- War
- K&R

P&I
- Correspondents
- Medical support
- Legal team
- Media response
- Pollution / wreck removal
- Cargo experts

Local network
- Local police
- Piracy experts
- Specialist response teams
What else can the Club do?

• Loss Prevention
  – Advise on transit of High Risk Areas
  – Advise on hardening the vessel and other precautions. BMP4 minimum standard.
• Underwriting / Claims
  – Advise on cover for armed guards
    • licenses
  – Contracts
    • BIMCO Guardcon
    • PMSC liability and indemnity insurance?
  – FD&D
    • Incorporating terms into Charter Parties
      – BIMCO Piracy Clauses
Summary

- Piracy and kidnapping risks
  - Insurance regime
- P&I support prior to fixing and pre-voyage
- P&I responds to covered risks in usual way
- Ransom payments are Discretionary
THANK YOU FOR YOUR ATTENTION

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